Credit Canada

Keys to Home Confidence:

First-Time Home Buyer's Guidebook

CreditCanada.com

YOUR GUIDE TO

Buying Your First Home With Confidence

First-Time Home Buyer? We've Got You Covered.

Buying your first home is one of the biggest financial decisions you'll ever make, and it can feel daunting without the right guidance.

That's why Credit Canada, the country's first and longest-standing non-profit credit counselling agency, created this First-Time Buyer's Guidebook. For over 60 years, Credit Canada has helped millions of Canadians get out of debt and back into life.

This guide is part of our Keys to Home Confidence program, designed to help you navigate your housing journey with confidence and clarity. To explore the full program, visit CreditCanada.com/Confidence.

Here's What You'll Find Inside

CHAPTER 1

The Reality Check: Are You Ready to Buy a Home?

Home Readiness Checklist

Buying your first home is exciting, but it's also a huge financial step. Before you fall in love with a home, let's make sure you won't fall into financial trouble. Answer these 10 questions honestly:

Steady Income Test

- Have you had consistent employment for at least 12 months?
- If your income dropped 25% tomorrow, could you still afford to make your mortgage payments?

The Emergency Buffer

- Do you have 3-6 months of expenses saved (separate from your down payment)?
- Can you handle a $3,000 surprise repair without using credit cards?

Reality Check:

44% of first-time buyers get blindsided by costs they never saw coming. Don't be one of them.

Credit Reality Check

- Have you checked your credit score in the last three months? (If not, you can do so here.)
- Is it above 650? (If not, here's how to improve it.)

Understanding the True Cost

- Do you know that your mortgage payment is just the beginning?
- Have you budgeted for closing costs, property taxes, insurance, utilities, condo maintenance fees, and repairs?

Market Awareness

- Do you know what homes actually sell for in your target area?
- Have you researched property taxes and condo/strata fees?

Level Up Your Readiness

- Get pre-approved for a mortgage by speaking with a bank, credit union, or mortgage broker. They'll review your finances and tell you how much you can afford.
- Research first-time buyer programs in your province.
- Have a backup plan if your offer gets rejected. It's common to make multiple offers before successfully buying a home, so know which other properties you'd consider and how much you're willing to adjust your offer.
- Find a trusted realtor, reliable home inspector, and real estate lawyer. You can find licensed professionals through Realtor.ca, the Canadian Association of Home & Property Inspectors (CAHPI), and your provincial law society.

Want to Learn More?

Learn more about whether you're ready to buy your first home with this Keys to Home Confidence video.

CHAPTER 2

Building Your Down Payment: The Step-by-Step Guide

Down Payment Basics

One of the biggest hurdles for first-time homebuyers is saving for a down payment. In Canada, if you're buying a property under $1 million, your minimum down payment is based on a tiered system:

- 5% of the purchase price up to $500,000, and
- 10% of the portion between $500,000-$999,999

For example, a $600,000 home would require $30,000 (5% of $500,000) plus $10,000 (10% of $100,000), for a total minimum down payment of $40,000.

Self-employed individuals often need a larger down payment, usually around 20%, because lenders see their fluctuating income as higher risk. Some specialized lenders may allow less if you have a strong financial history.

Quick Tip!

Planning for at least a 20% down payment saves money by eliminating CMHC insurance and lowering monthly payments.

Down Payment	CMHC Insurance Required?	Impact on Monthly Mortgage Payment	Notes
5%	Yes	Higher due to insurance premium	Smallest down payment; CMHC insurance added to mortgage
10%	Yes	Moderate; insurance premium lower than 5%	Still requires CMHC insurance but costs less than 5% down
20% or more	No	Lower monthly payment; no insurance	Avoids CMHC insurance entirely, reducing total mortgage cost

Down Payment Savings Planner

Plan your path to homeownership with confidence using this Down Payment Calculator.

Smart Savings:

Use your FHSA (up to $8,000/year) or TFSA to save your down payment. Your money grows tax-free, and it's easy to access when you're ready to buy.

Did You Know?

You can use both your First Home Savings Account (FHSA) and your Home Buyer's Plan (HBP) for the same home. Learn more about this option here.

This tool helps you estimate how much you'll need to save for a down payment and breaks it down into manageable monthly contributions based on your timeline and savings goal.

You can even factor in potential investment returns to see how your money could grow over time, making it easier to build a realistic, personalized savings plan.

Want to Learn More?

What mortgage can you actually afford? Find out in this Keys to Home Confidence video.

CHAPTER 3

Budgeting Beyond the First Down Payment

What You Need To Know

Many first-time buyers focus solely on saving for a down payment but often overlook the other costs associated with homeownership. From moving expenses to new furniture, the costs can add up quickly. Planning for these expenses now will prevent financial stress later on and help you enjoy your new home from day one.

Note: These are estimates only. Actual costs may vary, so be sure to research prices in your area.

Did You Know?

If you're setting up a new home, Habitat ReStore is a place to find affordable furniture and home essentials, with proceeds supporting affordable housing in your community.

Moving and Setup Costs

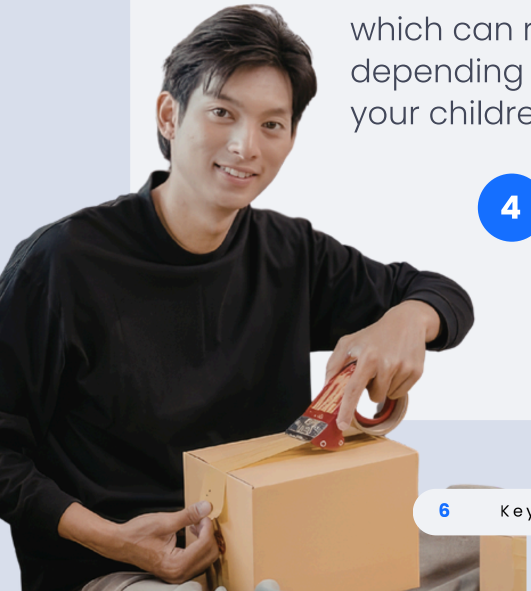
1. **Immediate Moving Expenses:**
   - Moving truck rental or professional movers ($300-$2,500)
   - Utility connections and deposits ($200-$500)
   - Address change fees and new ID ($50-$100)

2. **Essential Home Setup:**
   - Basic furniture if coming from a smaller space ($2,000-$10,000)
   - Window coverings for privacy and insulation ($500-$2,000)
   - Basic tools for maintenance and repairs ($200-$500)
   - Lawn mower and gardening tools, if applicable ($300-$800)

3. **Family Considerations:**
   - If you have children or are planning to, factor in location-specific costs like daycare fees, which can range from $200-$1,800 monthly, depending on your province and the age of your children.

Quick Tip!

For a stress-free moving day, use this moving checklist to help you stay on track.



4. **Sample First-Year Budget:**
   - Emergency repairs: $1,000-$3,000
   - Furniture and appliances: $3,000-$8,000
   - Landscaping and outdoor needs: $500-$2,000
   - Home security system: $200-$600

CHAPTER 4

Mortgage Terms Every Homebuyer Should Know

Speaking 'Mortgage'

You don't need to be a mortgage expert, but knowing the basics can help you ask the right questions and avoid surprises. Here's a glossary of key terms you're likely to hear, written in plain language, so you can move forward with confidence.

Glossary of Mortgage Terms

Amortization: The total length of time you'll take to pay off your mortgage. Amortization periods are typically 25–30 years in Canada.

Fixed vs. Variable Rate: Fixed means your mortgage rate stays the same for the length of your mortgage term. A variable rate means it can go up or down during that time. Mortgage terms in Canada vary, but are typically between 1 and 5 years. Learn more about fixed and variable mortgage rates in this blog.

CMHC Insurance: This is required if your down payment is under 20%. It protects the lender, not you.

Pre-approval: A lender's estimate of how much you can borrow. It's not a guarantee, but it's a great starting point.

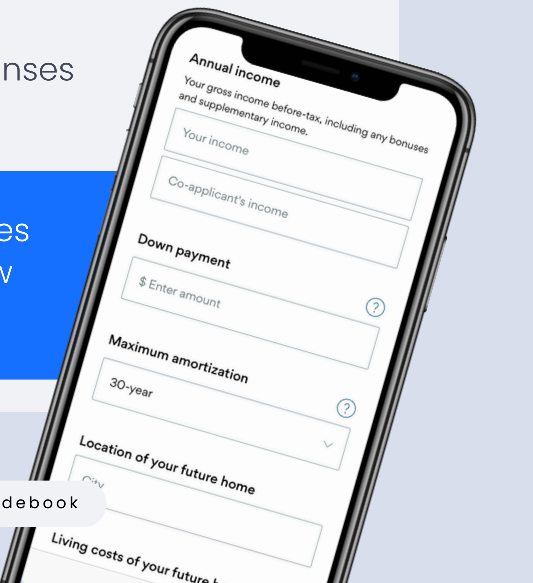
Principal vs. Interest: Principal is the amount you borrowed. Interest is what you pay to borrow it.

Closing Costs: Legal fees, taxes, and other one-time expenses when the home sale is finalized.

Ask Yourself:

Would I be comfortable if interest rates rose by 2% in the next few years?

This mortgage affordability calculator by MoneySense uses your income, debts, and living expenses to determine how much money you can borrow to buy a home.



CHAPTER 5

Ask Before You Sign: Questions for Brokers and Agents

Preparing To Meet with Professionals

When you're buying a home, you'll meet real estate agents, mortgage brokers, lawyers, and maybe even contractors. These professionals are here to help, but that doesn't mean every deal is right for you. Here are some smart, simple questions to ask so you can make informed decisions with confidence.

Questions for Mortgage Brokers

About the Broker & Process:

- Are you a licensed mortgage broker?
- How are you compensated? Is it by the lender, borrower, or both?

Down Payment & Qualifications:

- What's the minimum down payment required?
- Are there any down payment assistance programs I qualify for?
- What credit score do I need to qualify for the best rates?

Loan Options & Rates:

- What interest rate can I qualify for? Is it fixed or variable? How long are the terms?
- Can you estimate my monthly mortgage payment, including taxes and insurance?

Fees & Closing Costs:

- What fees do you charge directly?
- What are the total estimated closing costs?
- Are there any prepayment penalties or hidden fees?

Loan Flexibility:

- Can I refinance later without penalties?
- How long will the loan approval and closing process take?

Final Due Diligence:

- Can I get pre-approved? How is that different from pre-qualification?
- Will you keep me updated throughout the process? If so, how?

Quick Tip!

Take notes during each conversation. Having the facts in writing helps you compare options and avoid decisions made under pressure.

Questions for Real Estate Agents

About the Agent

- Are you a full-time or part-time agent?
- How long have you been working in real estate?
- What's the biggest mistake you see first-time buyers make, and how can I avoid it?

Local Market Knowledge

- How well do you know this neighbourhood or area?
- Are there any upcoming developments or issues I should know about in this area?

Home Search Strategy

- Can you help me determine what I can afford?
- What's your strategy for making a competitive offer?
- What should I look out for during showings (red flags, hidden costs, etc.)?

Making an Offer

- How do you help me decide how much to offer?
- What happens if there are multiple offers, and how can we stay competitive without overpaying?

Inspections & Closing

- What should I expect from the inspection process?
- How long does closing usually take, and what should I be doing during that time?

Communication & Process

- How often will I hear from you, and what's your preferred communication method?
- What's your availability for showings or meetings?

Contracts & Commitments

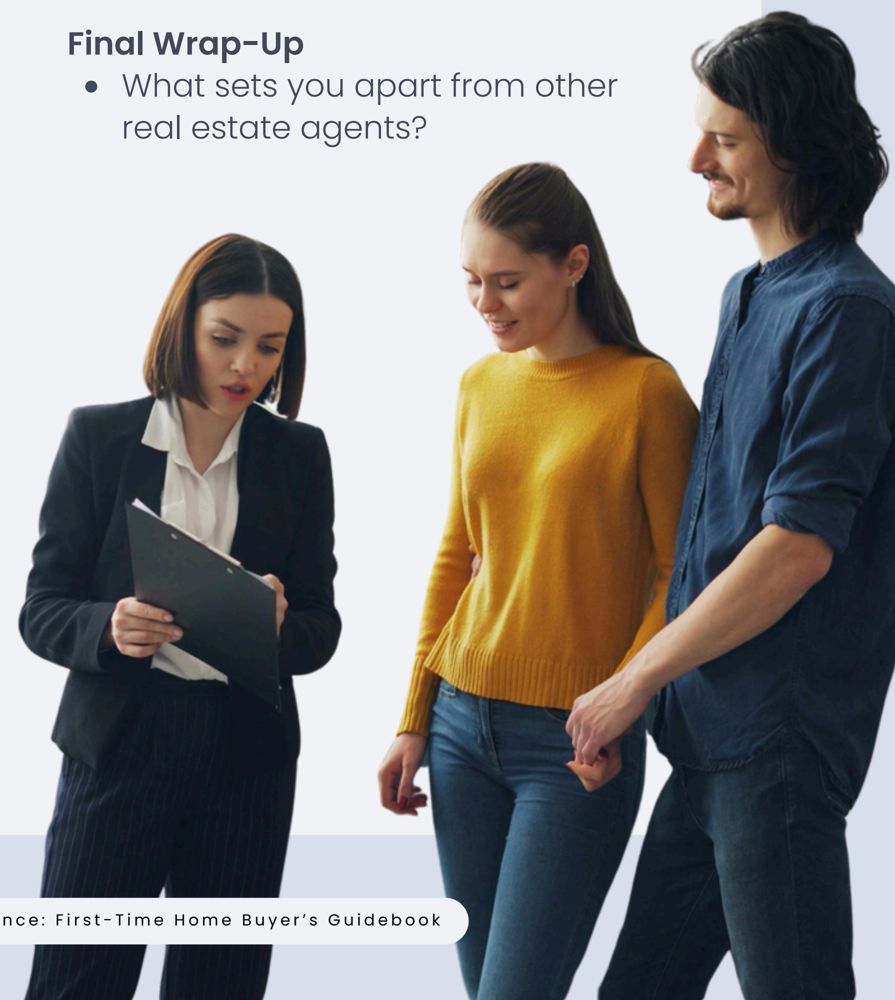
- Do I have to sign a buyer's agreement? If so, what are the terms?
- What happens if I want to terminate the agreement early?

Final Wrap-Up

- What sets you apart from other real estate agents?

Quick Tip!

Make sure to check client reviews before working with any mortgage broker or real estate agent.



CHAPTER 6

Your First Year Game Plan

Preparing For Your First Year

Your first year as a homeowner is like dating your home. You're learning its quirks, discovering its needs, and figuring out what makes it happy. This chapter breaks down what you need to know to get through that crucial first year with confidence.

Your Game Plan

Month 1-3: Get Your Bearings:

- Find your main water shut-off valve (and teach everyone in your household)
- Locate your electrical panel and label any unmarked breakers
- Test all smoke and carbon monoxide detectors
- Create a "house manual" with warranty info, paint colours, and contractor contacts
- Set up your maintenance savings account

Month 4-6: Build Your Network:

- Find reliable contractors (plumber, electrician, HVAC tech) before you need them
- Introduce yourself to neighbours (they're your first line of defence when you're away)
- Research local bylaws about snow removal, lawn care, and renovations

Month 7-12: Fine-Tune Your Systems:

- Track your utility costs through all four seasons
- Schedule annual services (HVAC, chimney cleaning, septic pumping, etc.)
- Plan next year's projects and start budgeting for them
- Celebrate making it through your first year!

Ask Yourself:

Which of these tasks makes you feel most anxious? Start with that one… it'll feel great once it's done!

Need Extra Guidance?

We're Here for You

Buying your first home is a significant milestone that can come with many financial challenges, but you don't have to figure it all out on your own.

Credit Canada has been helping Canadians navigate financial decisions for more than 60 years, and we're here for you, too. Whether you're saving up, reviewing your credit, or just have questions, our free resources and expert guidance can help you move forward with clarity and confidence.

Where to Reach Out for Help:

- Speak to a Credit Counsellor by calling 1 (800) 267-2272
- Chat with Mariposa, Credit Canada's AI Agent
- Subscribe to our newsletter
- Check out our free tools, webinars, and blog posts
- All of the above can be found at creditcanada.com

Share This Guide

Know someone who is thinking of buying their first home? Send them this guide. The best advice is the kind that helps people avoid expensive mistakes.

More About This Program

This guide is part of Credit Canada's Keys to Home Confidence program—providing Canadians with the knowledge to navigate their biggest financial decisions with confidence.

Want to Learn More?

Watch our video series about first-time home buying at CreditCanada.com/Confidence